



Department of Energy
Western Area Power Administration
150 East Social Hall Avenue, Suite 300
Salt Lake City, UT 84111-1580

APR 24 2012

Dear Salt Lake City Area Integrated Projects Customer:

Under your firm electric service contract, Western assesses energy and demand charges as set forth in Rate Schedule SLIP-F9. Additionally, under this rate schedule a Cost Recovery Charge (CRC) may also be assessed if Western determines it is necessary.

Western is to notify its customers by May 1, 2012, if a CRC is needed in the next fiscal year. I am pleased to announce that we have reviewed our financial situation compared to the anticipated hydropower generation levels and determined the CRC for Fiscal Year 2013 to be 0.00 mills/kWh. Because there is no CRC, there is no need for action on your part.

Had the CRC been necessary, each customer would have been provided with two sets of energy numbers for the next fiscal year. One set would have shown the full SHP energy allocation, and the other set would have shown a lower SHP allocation. Under this scenario, each customer would then decide whether to accept or decline the CRC. Customers accepting the CRC would receive the full SHP allocation and be charged the additional expense of the CRC. Those customers declining the CRC would avoid the charge, but receive less energy from Western in the next fiscal year.

Since a CRC is not necessary for FY 2013, Western will not be providing you with alternative energy and capacity allocations. Again, no action is needed on your part in response to this letter. Western will proceed as normal and provide you with your Winter Season Attachment later this summer.

If you have any questions, please telephone me at (801) 524-4007.

Sincerely,

A handwritten signature in black ink, reading "Rodney G. Bailey", is positioned above the printed name.

Rodney G. Bailey
Power Marketing Manager

FY 2013 CRC Calculation (April 2012)

Step 1	BFBB	Basin Fund Beginning Balance (\$)	FY 2013
	BFTB	Basin Fund Target Balance	\$157,906,000
	PAR	Projected Annual Revenue (\$) w/o CRC	\$25,842,600
	PAE	Projected Annual Expense (\$)	\$201,140,000
	NR	Net Revenue (\$)	\$172,284,000
	NB	Net Balance (\$)	\$28,856,000
			\$186,762,000

Step 2	EA	SHP Energy Allocation (GWh)	4,951.79
	HE	Forecasted Hydro Energy (GWh)	4,571.63
	FE	Forecasted Energy Purchase (GWh)	720
	Price	Average price per MWh for purchased power	\$24.54
	FX	Forecasted Energy Purchase Expense (\$)	\$17,666,582

Step 3	FA1	Basin Fund Balance Factor (\$)	\$17,666,582
	FA2	Revenue Factor (\$)	\$17,666,582
	FA	Funds Available (\$) (Lesser of FA1 or FA2)	\$17,666,582
	FARR	Additional Revenue to be Recovered (FX-FA)	\$0

Step 4	WL	Waiver Level (GWh)	5,292
	WLP	Waiver level percentage of full SHP	107%
	CRCE	CRC Energy GWh (EA-WL)	0
	CRCEP	CRC level percentage of full SHP	0%
	CRC	Cost Recovery Charge (mills/kwh)	-

Projected beginning balance for FY2012 per financial cash flow analysis
Basin Fund Target Balance = 155% * PAE
Per financial cash flow analysis
Per financial cash flow analysis
=PAR-PAE
=BFBB + NR

FY '12 SHP energy allocation excluding project use
Projected generation from the most current 24-month study, does not include project use
Forecasted Energy Purchase (GWh) from the most current 24-month study
Average price = 60% onpeak + 40% offpeak
Estimated purchased power costs based upon most current 24-month study

If NB is greater than BFTB then use FA1=FX, if NB is less than BFTB then use FX-(BFTB-NB)
Formula is: $-(NB-BFTB) \cdot FX \cdot FX \cdot (BFTB-NB)$
If NR is greater than -25% of BFBB then FX, if NR is less than -25% of BFBB then, $FX + (NR + (25\% \cdot BFBB))$
Formula is: $-(NR - (-0.25 \cdot BFBB)) \cdot FX \cdot FX + (NR + (0.25 \cdot BFBB))$
Formula is: $-(NR - (0.25 \cdot BFBB)) \cdot FX \cdot FX + (NR + (0.25 \cdot BFBB))$
=FX-FA

Equals the lesser of SHP or HE + (FE * (FA / FX))
Percent of waiver level to full SHP
= EA-WL (Does not include losses projected at 7.81%)
Percent of CRCE to full SHP or CRCEEA
=FARR / (EA * 1000)